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USSR CENTRAL COMMITTEE PLENUMS ON INDUSTRIAL PROGRESS:
JUNE 1959 AND JULY 1960

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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From 13 to 16 July 1960 the Central Committee of the CPSU held its second plenary session devoted to the problems of accelerating technical progress under the Seven-Year Plan (1959-65). 1/ The final resolutions, while introducing some important economic features, were neither as detailed nor as comprehensive as those offered by the June 1959 Plenum. 2/ The session this year failed to reveal detailed information on the progress achieved in implementing the June 1959 Plenum resolutions and several of the tasks which had been assigned last year for completion within a specified time limit were reassigned at the recent plenum.

There has been no strong built-in economic incentive to technical progress in the Soviet economy in the past. The Seven-Year Plan, however, attaches great importance to technical progress (including the development of new equipment of advanced design, new technologies, and increased mechanization and automation) as the basis for meeting many of its economic targets--especially with respect to productivity. Consequently, the Soviet leadership has had to take measures to create conditions favorable to such progress in the future. It is a sign of the regime's growing awareness of its economic deficiencies that the Plenum's resolutions on the unsatisfactory rate of technical progress were found side-by-side with serious discussion of prefulfillment of the seven year goals.

Implementation of Resolutions of the June 1959 Plenum

The only two fields in which resolutions on technical progress adopted by the June 1959 Plenum are known to have been implemented or to be in the process of implementation through legislative action are: 1) bonuses for personnel who make effective economic contributions through technical progress, and 2) the financing of the developmental and initial production costs of new machinery and equipment.

New bonus regulations pertaining to premiums for managerial, supervisory, engineering, and technical personnel at enterprises which meet or better their cost targets at the same time that they fulfill production targets, were promulgated in the latter part of 1959. 3/ Provisions for bonuses to virtually all types of personnel in industry, transport, construction, and communications who directly participate in technical achievements leading to savings in cost are contained in a recent decree of the CPSU Central Committee and the USSR Council of Ministers. 4/ The bonus system provided for in this recent decree does not take effect until 1 October 1960. Provisions for reimbursing outlays connected with the development and production of new machinery and equipment, for creating sinking funds from which such reimbursements may be made, and for determining the prices of new machinery and equipment are also contained in this decree, effective on 1 January 1961. 5/

Comparison of Major Resolutions Common to Both Plenums**Mechanization and Automation**

According to the 1959 Plenum the appropriate Soviet agencies were to have submitted by 1 December 1959 a master plan relating to the order and timing of the mechanization and automation of the various branches of Soviet industry. In addition, the 1959 Plenum called on Soviet planners to estimate specific requirements for automatic machinery and control and measuring instruments which would be required to fulfill over-all objectives. The Plenum this

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year made it clear that USSR Gosplan and other appropriate agencies have developed neither. While still implying that an overall plan for the introduction of automation is desirable there seems to have been a greater awareness of the difficulty of establishing one in a short period of time.

The Plenum also stressed the need for some specific action which is well within present Soviet capabilities. One task assigned this year to the State Committee for Automation and Machine Building and other top government agencies calls for accelerating the planned conversion of some 50 to 80 existing enterprises of almost every industrial activity into what are called "experimental-model" showplaces of the achievements in mechanization and automation. This program, probably justifiable in terms of research and development alone, would contribute to the formulation of an economy-wide plan for introducing automation. At the same time the 50 to 80 plants would serve as modern examples of mechanization and automation. Lessons learned at these plants could be applied on a piece-meal basis to individual enterprises in their reconstruction, modernization, and cost-reduction programs.

Research and Design

The 1960 Plenum showed continued concern with the general problem of reducing the time lag between research and the industrial application of new technology. Although last year's Plenum called for the appropriate agencies to submit within three months proposals to improve the over-all operation of research and design organizations this same task was repeated in this year's resolution with a due date of six months. In view of the stress on increases in productivity through the manufacture of machinery and equipment on a par with the most modern and efficient in the world, a reduction in the intervals between the developing, testing and actual production of new machinery is one of the most important tasks confronting Soviet industry. The 1960 Plenum indicated that no real progress in decreasing the time lag would be possible without a general improvement in the present planning, direction, organization and personnel of the research and design institutes. Demands to provide more practical training for engineers, so as to give research and development personnel a better understanding of actual production processes, were included in the resolutions of both Plenums.

Specialization and Subcontracting

The continuing absence of a concrete plan for the specialization of industry on a national scale--one of the important goals of the industrial reorganization of 1957--was one of the surprising disclosures of the recent Plenum. Although the June 1959 Plenum called for responsible agencies to submit such a plan within six months, this same task is repeated in this year's resolutions with a due date of one year. In addition to anticipating savings resulting from a termination of the uneconomical production of fasteners, forgings, components, and even complicated machinery by enterprises for their own use, the Soviet leaders have also stressed that greatly increased specialization and subcontracting is almost imperative to any significant acceleration in the rate of introducing new technology. The concentration of the production of like products rather than dispersing their production over a countless number of enterprises, makes possible the most economic application of machinery and new technology. The enormous task of determining a nationwide plan for the optimum scale of output for

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the various products and introducing an appropriate supply system, however, is not so easily accomplished. Apparently no substantial progress has been made even in developing specialization and subcontracting between adjoining economic administrative regions (sovnarkhozes).

Important New Resolution of the July 1960 Plenum

The Plenum this year issued three important new directives--one pertaining to improvements in the planning of production indexes, one to the improvement of procedures for establishing production standards, and one to a review of wholesale prices of capital goods. While these subjects are not uniquely a part of the program for accelerating technical progress, they exert an important influence on the economic aspects of the program.

Until very recently the so-called qualitative indexes (improvement in quality of output, reduction in cost of output, and the like) have been treated as secondary indexes. With increasing attention being devoted to more effective utilization of capital investments, however, the qualitative indexes are achieving increasing importance as indicators of the economic effectiveness of technical change. Accordingly the appropriate state agencies were directed in the resolutions of the July 1960 Plenum to draft and submit to the Council of Ministers USSR by 1 March 1961 proposals for improving the indexes of the state plan, with the aim of making it to the interest of state enterprises and the sovnarkhozes 1) to utilize fixed and working capital more effectively, 2) to produce the necessary assortment and quality of goods, 3) to increase labor productivity, and 4) to reduce the cost of output.

Because administratively set production standards and prices must be changed periodically to reflect changes which have occurred in production efficiency if planners are to plan effectively, standards and prices are subject to periodic review in the USSR. The July 1960 Plenum directed USSR Gosplan and other appropriate agencies to evolve in six-months measures for radically improving the standards of materials consumption, of working capital, and of stockpiling in all areas of the national economy.

At the same time the Plenum directed that there be a review of the wholesale prices of capital goods in 1961-62, with the aim of bringing prices more in line with the cost of production. Considering that the last wholesale price reform occurred in 1955 and that industrial profits have been rising rapidly, it would appear that another price reform is overdue.

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